

JC230448

CERTIFIED AS A TRUE COPY

W L Govan

W L GOVAN

CHARTERED SECRETARY

26 MAY 2007

CONVERTIBLE LOAN AGREEMENT

Between

GRAHAM SAGE and ELSPETH SAGE

and

KELVIN CONNECT LIMITED

McGrigorDonald

Princes Exchange

1 Earl Grey Street

EDINBURGH

EH3 9AQ

Telephone 0131 777 7000

Facsimile 0131 777 7003

E Mail enquiries@mcgrigors.com

Web Site <http://www.mcgrigors.com>

C:\NtPortb\NEIMANAGE\MARGARETH\336980_1.DOC

WEDNESDAY



SE3NWPZG

SCT

30/05/2007

206

COMPANIES HOUSE

TABLE OF CONTENTS

Clause	Heading	Page No.
1	PRELIMINARY	1
1 1	Definitions	1
1 2	References	1
1 3	Joint and Several Liability	1
2	AMOUNT OF FACILITY	1
3	THE FACILITY	2
3 1	Availability and Drawdown	2
3 2	Financial Assistance	2
4	CONDITIONS PRECEDENT	2
5	REPAYMENT	2
6	INTEREST	2
6 1	Rate of Interest and Dates for Payment of Interest	2
7	PAYMENTS	2
8	NO SET OFF BY THE BORROWER	3
9	DEDUCTION OF TAXES	3
10	EVENTS OF DEFAULT	3
11	RIGHTS/REMEDIES	3
11 1	No waiver	3
11 2	Cumulative	4
12	SUCCESSORS AND ASSIGNATION	4
12 1	Successors	4
12 2	Prohibition on Assignment	4
13	CONVERSION OF LOAN INTO SHARES	4
14	LAW AND JURISDICTION	4
14 1	Law	4
14 2	Jurisdiction	4
15	NOTICES	4
15 1	Address	4
15 2	Service	4
SCHEDULE		
CONVERSION OF LOAN		6

THIS AGREEMENT is made **BETWEEN**

- (1) **GRAHAM SAGE and ELSPETH SAGE** both of 23 Clark Terrace, Crieff, Perthshire, PH7 3QE ("the **Lenders**") and
- (2) **KELVIN CONNECT LIMITED** a company registered in Scotland with registered number SC230448 whose registered office is at 150 Brand Street, Glasgow, G51 1DH ("the **Borrower**")

IT IS AGREED

1 PRELIMINARY

1.1 Definitions

In this Agreement the following expressions have the following meanings unless the context otherwise requires

"**the Act**" the Companies Act 1985 (as amended from time to time),

"**Drawdown Date**" the date of first drawdown of the Facility,

"**Facility**" the loan facility set out in this Agreement,

"**Facility Amount**" £20,000 (Twenty thousand pounds Sterling),

"**the First Repayment Date**" as defined in Clause 5,

"**Loan**" the aggregate principal amount for the time being advanced and outstanding under this Agreement,

"**Shares**" Ordinary Shares of £0.10 each in the capital of the Borrower,

"**Sterling**" and "**£**" means pound sterling of the United Kingdom,

"**Taxes**" any taxes, duties or other charges or withholdings,

Clause headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement

1.2 References

All references to Clauses and to the Schedule are to Clauses of and the Schedule to this Agreement, and all references to this Agreement include the Schedule to it

1.3 Joint and Several Liability

Where any obligation is undertaken by the Lenders those persons shall be jointly and severally liable in respect of that obligation

2 AMOUNT OF FACILITY

The Facility shall be available in an aggregate principal amount being the Facility Amount

3 THE FACILITY

3 1 Availability and Drawdown

Subject to Clause 4 and upon the terms and subject to the conditions of this Agreement, on the Drawdown Date, the Lenders agree to make the Facility Amount available to be drawn down by the Company in one or more tranches by direct debit to the bank account nominated by the Borrower

3 2 Financial Assistance

No part of the Loan shall be utilised in a manner which is contrary to Sections 151 158 (inclusive) of the Act The Lenders shall have no obligation or responsibility to ensure it is not used in such manner

4 CONDITIONS PRECEDENT

The Facility Amount will be advanced to the Borrower in terms of Clause 3 1 above when the Lenders have received and found to be in order

- (a) this Agreement duly signed on behalf of the Borrower,
- (b) a copy certified to be a true copy by a director or the secretary of the Borrower of a resolution of the board of directors of the Borrower
 - (i) approving the borrowing of the Loan on the terms of this Agreement,
 - (ii) authorising the person who shall have signed this Agreement on behalf of the Borrower so to do, and
 - (iii) authorising a person or persons to sign and deliver all notices or communications to be given by the Borrower to the Lenders pursuant to this Agreement,

5 REPAYMENT

The Borrower will repay to the Lenders the Loan in twenty four equal instalments on the last day of each month commencing on 31 January 2005 or on such later date as may mutually be agreed by the Borrower and the Lenders (the "First Repayment Date") The Borrower shall, with the agreement of the Lenders, have the right to repay the Loan, in full or in part, prior to the First Repayment Date

6 INTEREST

6 1 Rate of Interest and Dates for Payment of Interest

The Loan will carry interest at the rate of 8% (eight per cent) per year Interest will accrue and be calculated on a daily basis, and will be payable monthly in arrear, on the last day of each month commencing on the last day of the month in which the Drawdown Date occurs

7 PAYMENTS

All payments by the Borrower under this Agreement shall be made in Sterling in immediately available funds by direct debit to the bank account nominated by the Lenders from time to time for this purpose without set off or counterclaim by not later than 12 noon on the due date

8 **NO SET OFF BY THE BORROWER**

In no circumstances whatsoever shall the Borrower be entitled to make any set off against or deduction from or otherwise on any account delay or withhold payment of any part of the Loan or interest (save for such deduction of Taxes at source as may be required by law) and the Borrower shall pay all amounts referred to in this Agreement to the Lenders without deduction of any kind forthwith upon the same falling due for payment under the terms hereof and regardless of any claim of any kind or on any account which it may have against the Lenders or any other person

9 **DEDUCTION OF TAXES**

The Borrower undertakes with the Lenders that if the Borrower is required by law to deduct Taxes at source from any interest payment it shall account for such taxation to H M Inland Revenue in accordance with the relevant taxation legislation for the time being in force and shall immediately furnish an appropriate tax deduction certificate to the Lenders

10 **EVENTS OF DEFAULT**

Notwithstanding the provisions hereinbefore contained, subject to applicable grace periods at any time after the happening of any of the events specified in this Clause, the Lenders shall be entitled to demand payment of the Loan and all interest and consequents thereon in accordance with the terms of this Agreement and upon any such demand being made such monies shall immediately become due and payable

10 1 if the Borrower makes default in the payment within fourteen days after the due date of any money which may have become due by way of principal or interest hereunder in respect of the Loan and such default remains unremedied following the expiry of a period of seven days from receipt by the Borrower of written notice from the Lenders to that effect,

10 2 if any inhibition, arrestment (other than an inhibition or arrestment on the dependence of an action or to found jurisdiction) charge, pouding, diligence, distress, execution, sequestration or other process is placed or levied or enforced upon or sued out against the property of the Borrower and is not discharged or otherwise satisfied within fourteen days of being levied,

10 3 if the Borrower is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or of any statutory modification or re enactment thereof for the time being in force or certifies that it is unable to pay its debts as and when they fall due,

10 4 if the Borrower either does or resolves to do or commences negotiations with a view to doing any of the following, namely makes a general or special arrangement or composition (whether voluntary or compulsory) with its creditors or declares or agrees a moratorium, a notice is issued convening a meeting to resolve to do any of the above or a proposal is made for a voluntary arrangement under section 1 of the Insolvency Act 1986,

10 5 if any petition, application, order or resolution is presented, made or passed for the administration, liquidation, winding up or dissolution of the Borrower or any notice is issued for the purpose of passing such a resolution

11 **RIGHTS/REMEDIES**

11 1 **No waiver**

No failure or delay by the Lenders in exercising any right or remedy hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right or remedy preclude any further exercise thereof or the exercise of any other right or remedy

11 2 Cumulative

The rights and remedies herein are cumulative and not exclusive of any rights and remedies provided by law

12 SUCCESSORS AND ASSIGNATION

12 1 Successors

This Agreement shall be binding upon, and enure for the benefit of, the Lenders, the Borrower and their respective successors

12 2 Prohibition on Assignment

The Borrower may not assign or transfer any of its rights or obligations under this Agreement

13 CONVERSION OF LOAN INTO SHARES

The provisions of the Schedule to this Agreement shall have effect

14 LAW AND JURISDICTION

14 1 Law

This Agreement shall be governed by and construed in accordance with the laws of Scotland

14 2 Jurisdiction

The parties irrevocably submits to the exclusive jurisdiction of the Courts of Scotland

15 NOTICES

15 1 Address

Any notice or demand hereunder to or upon either party to this Agreement shall be deemed to have been properly served if the same has been delivered or sent by letter post to the address of that party referred to above or such other address within the United Kingdom as that party shall for the time being have notified to the other party for the purposes of, and in accordance with, the provisions of this Clause

15 2 Service

A notice or demand sent by first class letter post shall if the same has been posted before the last scheduled collection of letters from the letter box in which the same is posted on any day be deemed to have been served at 10 00 am on the next succeeding day (or if the next succeeding day is a Sunday or any other day upon which no delivery of letters is made at 10 00 am on the next day on which there is such a delivery) and in any other case shall be deemed to have been served upon the expiry of forty eight hours from the time of posting the same

(4)

IN WITNESS of which these presents consisting of this and the preceding 1/1 pages and the Schedule have been executed as follows

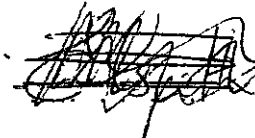
SUBSCRIBED by GRAHAM SAGE

at
on 28th Nov 2002
before

Witness

Name

Address 21 CLARK TERR
CRIEFF


Graham Sage.

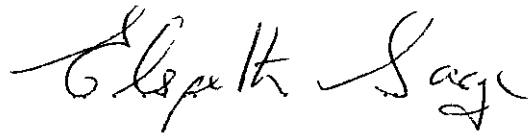
SUBSCRIBED by ELSPETH SAGE

at
on 28th Nov 2002
before

Witness

Name

Address 21 CLARK TERR
CRIEFF.

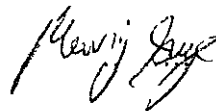


SUBSCRIBED on behalf of KELVIN
CONNECT LIMITED

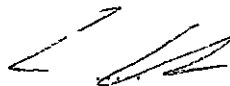
at GLASGOW
on 28 Nov 2002
by

Director and

Director/Secretary



Director



Director/Secretary

WITNESS

GORDON COOK
2 CLYDE AVENUE
TORRANCE
GLASGOW

This is the Schedule referred to in the foregoing Convertible Loan Agreement between Graham Sage and Elspeth Sage and Kelvin Connect Limited dated November 2002

SCHEDULE

CONVERSION OF LOAN

1 INTERPRETATION

In this Schedule, save where the context otherwise requires

"**Appropriate Number**" means 50 Shares,

"**Conversion Option**" means the right granted by paragraph 2,

"**Conversion Shares**" means Shares which shall be subject to the exercise by the Lenders of the Conversion Option,

"**Exercise Notice**" means the notice served by the Lenders pursuant to paragraph 3,

"**Subscription Completion**" means completion of the subscription for Conversion Shares pursuant to paragraph 5,

"**the Subscription Price**" means, in respect of each Conversion Share, the amount of the Facility Amount divided by the Appropriate Number,

2 THE CONVERSION OPTION

At the option of the Lenders (such option to be exercised as set out in paragraph 3 below) and on the condition that the Facility Amount remains outstanding on the exercise of such option, the Loan shall convert into the Appropriate Number of Conversion Shares

3 EXERCISE OF CONVERSION OPTION

The Lenders may only exercise the Conversion Option by notice served on the Company at any time during the 28 day period prior to the First Repayment Date

4 SUBSCRIPTION

4.1 Following exercise by the Lenders of the Conversion Option, the Lenders shall subscribe for, and the Company shall allot to the Lenders, the Appropriate Number of Conversion Shares

4.2 The aggregate Subscription Price for the Appropriate Number of Conversion Shares shall be satisfied by the release of the Company's liability to pay the Facility Amount

5 SUBSCRIPTION COMPLETION

5.1 Time and Place

Subscription Completion shall take place on the First Repayment Date at the offices of the Borrowers' solicitors. Immediately following Subscription Completion this Agreement shall terminate

5 2 The Company's Obligations

5 2 1 On Subscription Completion the Company shall

- (a) allot and issue the Appropriate Number of Conversion Shares to the Lenders credited as fully paid up free from all claims, liens, charges, encumbrances and equities and together with all rights attached thereto,
- (b) deliver to the Lenders duly executed share certificate(s) for the relevant Conversion Shares,
- (c) deliver to the Lenders in a form reasonably satisfactory to the Lenders written evidence that the Company has prior to Subscription Completion secured all waivers, consents and/or resolutions (whether relating to rights or pre-emption or otherwise) necessary to enable the effective allotment and issue of Conversion Shares pursuant to paragraph 5 2(a), and
- (d) enter the names and addresses of the Lenders in the register of members of the Company and procure that all necessary documents and returns are duly completed and filed with the Registrar of Companies

5 3 Ranking of Shares

The Conversion Shares to be issued on the exercise of the Conversion Option shall rank *pari passu* in all respects with the fully paid shares then in issue of the same class in the Company as the Conversion Shares save that they shall not rank for any dividend or right declared, paid or arising by reference to a record date earlier than the date of issue of the relevant Conversion Shares

6 AVAILABILITY OF SHARES

The Company covenants with the Lenders that the Company shall at all times keep available for issue a sufficient number of Shares to meet the outstanding subscription rights arising pursuant to the Conversion Option